

Company registration number: 07832735

Charity registration number: 1149502

China Next Foundation

(A company limited by guarantee)

Annual Report and Financial Statements for the Year Ended

31 March 2016

(Unaudited)

Reference and Administrative Details

Charity name	China Next Foundation
Charity registration number	1149502
Company registration number	07832735
Principal office (London)	Kemp House 152-160 City Road London, EC1V 2NX
Principal office (Shanghai)	416-417 1933 Swellfun, 611 Liyang Road, Hong Kou District, Shanghai, 200081
Registered office	Kemp House 152 City Road, London EC1V 2NX
Trustees	Leo Liyuan Liao Benliang Xu (Appointed 15 April 2015) Dongmei Zhou (Appointed 15 April 2015) Sheng Wang (Appointed 21 Feb 2016) Hu Chen (Appointed 21 Feb 2016) Catherine Huang (Appointed 21 Feb 2016)
Secretary	Jufeng Zhao

CHINA NEXT FOUNDATION

DIRECTORS REPORT

The directors (who are the Foundation's Trustees for the purposes of the Charities Act 2011) present their report and financial statements for the year ended 31 March 2016.

Directors

The following directors served during the year:

Liao, Leo Liyuan

Benliang Xu

Dongmei Zhou

Sheng Wang (Appointed 21 Feb 2016)

Hu Chen (Appointed 21 Feb 2016)

Catherine Huang (Appointed 21 Feb 2016)

The Board of Directors consists of up to 10 members but vacancies are permissible. Power to appoint new or additional directors is vested in the existing Board. The Board Members have no term limits but must stand for re-election and be re-elected at the end of the financial year.

Charity Status

The Foundation is registered with the Charity Commission of England and Wales, number 1149502 and is a company limited by guarantee and registered in England (No. 07832735).

The Foundation's China programme was run in cooperation with China Youth Development Foundation (CYDF), a Public Foundation ("公募基金会") of PRC in the majority of the financial year. The cooperation allows the Foundation to establish a separate internal "Next Fellow Fund" of CYDF, and managed by a separate Management Committed, consisted of the board of directors of the Foundation and chaired by the Chairman of the Foundation. CYDF's own team of management did not exercise influence of control over the Fund throughout the financial year. The financial results of NextFellow Fund are hence reported here as the Foundation's own.

The Foundation's affiliated organisation, Shanghai China Next Foundation (CNF Shanghai), is registered with Shanghai Civil Affairs Bureau (No. 52310000MJ492519XW) towards the end of the financial year as a Private Non-Company Institute ("民办非企业单位"), as per China's assembly law and charity law. CNF Shanghai has identical board of directors and identical mission as that of the Foundation, and hence will be reported as part of the Foundation from the next year's results.

Constitution, objects and policies

The Charitable Foundation is constituted by the Founders' Resolution and its objects are to promote for the public benefit the efficiency and effectiveness of charities and not-for-profit organisations in China with the aim of relieving poverty, financial hardship or other social or economic disadvantage.

In furtherance of this, the Foundation will foster the development of modern citizenship awareness among the next generation Chinese people, by training and education, and by empowering and enabling young people to participate in community services and voluntary work.

The directors are responsible for the day to day administration of the Foundation.

In planning the activities for the year the directors kept in mind the Charity Commission guidance on public benefit at the Board meetings.

Development, activities and achievements

Institutional Development

On 10th April 2014, the Foundation entered an exclusive cooperation agreement (The Agreement) with China Youth Development Foundation (CYDF), a government-affiliated charity foundation in China to form the "Next Fellow Fund" under the joint management of the Foundation and CYDF. The Fund would be able to receive donations in China and from the Foundation's UK bank account; it is audited by CYDF, and used exclusively for the charitable activities of the Foundation in China, for a fee payable to CYDF. The Agreement has a term of three years from the date of signing.

In 9th June 2015, the directors of the Foundation resolved to register China Next Foundation (Shanghai) as an independent organisation to carry out the Foundation's work in China to run in parallel with Next Fellow Fund. The new organisation would be overseen by the identical board of directors of the Foundation. On 22nd February, Shanghai Civil Affairs Bureau approved the new organisation.

The directors anticipate that the Next Fellow Fund and CNF Shanghai will run in parallel in the next financial year. The Next Fellow Fund gives the Foundation the de facto ability to raise money publicly in China, a privilege; while CNF Shanghai will carry out the day to day operations.

Three trustees and two supervising committee members joined the board of ChinaNext Foundation during the year and the size of the board increased to six. The Foundation's full time team now include four members, supported by volunteers and non-paid interns pool of five. The Board now contains primarily Chinese professionals with many years of experience in China's NGO development.

Selecting, training and marketing the NextFellows

The core activity of the Foundation is selecting, cultivating and marketing "effective modern NGO leaders" in China's nascent third sector. During the financial year 2015-2016, ChinaNext Foundation selected nine NextFellows from out of forty-seven shortlisted referrals and applications from reputable Chinese charities and civil groups for the Programme. The selection process was carried out in three stages, including cross

interviews and site audits, and involved a jury of 13 members, nine of them independent and outside the Foundation.

The Foundation provided each fellow with a mean-tested living stipend (16.3% of gross expenditure), an allowance (22.1% of gross expenditure) for the Fellows to advance their own training and communication, and facilitated numerous training opportunities for their international exchange and training programme (25.6% of gross expenditure), including four collective training courses, two organised trips to the UK for exchange, and one more NextForum held in LSE. The Foundation also paid for a promotional video to advance one of the NextFellows, an environment protection activist.

Management discussion

The environment in which China's NGOs operate remained less than friendly, if not adverse. While the first Charity Law has been passed in the financial year and was promoted as a progressive, the operations and the details on the local level remain opaque. Due to the uncertainties surrounding NGO operations, the leaders of Chinese NGOs continue to receive less than adequate support and are in urgent need for external help.

The Foundation has an carefully designed structure that allows us to utilize resources both from inside and outside China. For each member of the small team of carefully selected NextFellows, the Foundation was able to provide a mean-tested living stipend so the Fellows can concentrate on their NGO work; we were also able to provide a fund which enables the Fellows to seek training resources that fit their own needs. The Foundation also organised four training camps in which four core training modules were taught: clear mission, effective execution, transparent account and innovative marketing. These four elements made up to what we call an "effective modern NGO leader", a goal set for each NextFellow.

The Foundation received most of her donation from China and from a small group of visionary donors. Despite running on very tight budgets, the Foundation has grown to maintain a full time team of four, each of them providing day to day support to a few NextFellows. They are also tasked to find more.

Looking forward, a key direction of the Foundation's development is to present the NextFellows to the wider society and to the international community, hence manifesting the NGO work in China, and the young leaders behind them. The directors are set to serve as bridges between the NGOs and the public, the Chinese NGOs and the international community, and between effective modern NGO leaders themselves.

Investment Powers

The Articles of Association authorises the directors to make and hold investments using the general funds of the Foundation. The Foundation did not hold investments during the financial year.

Financial review

Details of the application of the Foundation's funds are shown in the Statement of Financial Activities on page 6 of the Financial Statements.

The Foundation's assets are held for the purposes of applying the Foundation Fund and Income thereof for the purposes as specified in the Founders' Resolution dated 1 July 2012 and the Board of Directors consider that the financial position of the foundation at 31 March 2013 to be satisfactory.

Reserves Policy

It is the policy of the Foundation to retain adequate liquid resources to meet at least 6 months running costs.

Risk Review

The directors have examined the major strategic and operational risks which the Foundation faces. These are kept under review at regular Board meetings at which appropriate reports are presented to keep such risks to the minimum.

Statement of directors' responsibilities

The directors are required under the Charities Act 2011 to prepare financial statements for each financial year which give a true and fair view of the Foundation's financial activities during the year and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the directors should follow the best practice and:

- Prepare the financial statements on a going concern basis unless it is inappropriate to(d) presume that the Foundation will continue in operation.
- The directors are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Foundation and which enable them to ensure that the financial statements comply with applicable law and regulations. They are also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Small company provisions

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2016

Profit & Loss Account

		Year ending 31 March 2015			Year ending 31 March 2016		
	Note	China RMB	UK £	Consolidated £	China RMB	GBP £	GBP £
Incoming Resources	3	127,824	2,281	15,225	964,162	2,659	106,405
Cash Donations		106,991	2,281	13,115	446,084	2,659	50,659
Non-cash donations	4	20,833		2,110	518,078		55,746
 Charitable Expenditure	 5	 57,699	 4,079	 9,922	 711,170		 76,523
NextFellows – Stipend		39,000		3,949	129,000		13,881
Training & services		18,699		1,894	311,976		33,569
Marketing & Advocacy			4,079	4,079	270,195		29,074
<u>Resource for Foundation</u>		<u>70,125</u>	<u>(1,799)</u>	<u>5,302</u>	<u>252,991</u>	<u>2,659</u>	<u>29,881</u>
 Management Costs	 6	 33,719	 3,448	 6,863	 226,599	 2,049	 26,432
Administration		5,386	684	1,229	73,121	1,049	8,917
Personnel, Travel and Subsistence		28,333		2,869	153,478		16,515
Marketing			2,764	2,764		1,000	1,000
Surplus (Deficit) of Main Activities		36,406	(5,247)	(1,560)	26,393	610	3,450
<u>Net Surplus (Deficit)</u>		<u>36,406</u>	<u>(5,247)</u>	<u>(1,560)</u>	<u>26,393</u>	<u>610</u>	<u>3,450</u>

Balance Sheet

	Note	Year ending 31 March 2015			Year ending 31 March 2016		
		China RMB	UK £	Consolidated £	China RMB	GBP £	Consolidated £
Cash & Equivalents	7	168,146	4,406	21,433	108,688	5,016	16,711
Account Receivable	7				576		62
Current assets		168,146	4,406	21,433	109,264	5,016	16,773
Fixed assets	8				40,900		4,401
<u>Total assets</u>		<u>168,146</u>	<u>4,406</u>	<u>21,433</u>	<u>150,164</u>	<u>5,016</u>	<u>21,174</u>
Account Payable	9	59,199	-	5,995	14,824	-	1,595
Current liabilities		59,199	-	5,995	14,824	-	1,595
Total liabilities		59,199	-	5,995	14,824	-	1,595
<u>Net Asset Value</u>		<u>108,948</u>	<u>4,406</u>	<u>15,439</u>	<u>135,340</u>	<u>5,016</u>	<u>19,579</u>

Cashflow Statement

		Year ending 31 March 2015			Year ending 31 March 2016		
	Note	China RMB	UK £	Consolidated £	China RMB	GBP £	Consolidated £
Net income		36,406	(5,247)	(1,560)	26,393	610	3,450
Change in Working Capital		59,199	(584)	5,411	(44,951)		(4,837)
Cashflow from operations		95,605	(5,831)	3,850	(18,559)	610	(1,387)
Capital Expenditure		-	-	-	(40,900)	-	-
Inter charity transfer	10	72,542	(7,346)	-		-	-
Cashflow from Investing		72,542	(7,346)	-	(40,900)	-	-
<u>Total change in cash</u>		<u>168,146</u>	<u>(13,177)</u>	<u>3,850</u>	<u>(59,459)</u>	<u>610</u>	<u>(1,387)</u>
<u>Free Cash Flow</u>		<u>95,605</u>	<u>(5,831)</u>	<u>3,850</u>	<u>(59,459)</u>	<u>610</u>	<u>(1,387)</u>

Notes to the financial statements

The notes on pages 10 to 13 form an integral part of these financial statements.

For the financial year ended 31 March 2016, the Foundation was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors have not required the Foundation to obtain an audit of its accounts for the year in question in accordance with section 476.

However, the directors have voluntarily required the Foundation's funds held in the NextFellow Fund under CYDF to be audited, by both the internal auditing team of CYDF, and by an independent auditor, in accordance with applicable China Charity Law.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. The directors also acknowledge their responsibilities for complying with the requirements of China Charity Law and other relevant regulations with respect to governance, accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Board on 1 November 2016 and signed on its behalf by:

Leo Liyuan Liao Trustee

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities (SORP 2005)', issued in March 2005, the Financial Reporting Standard for Smaller Entities (effective April 2008) and the Companies Act 2006.

2. Fund accounting policy

Unrestricted income funds are general funds that are available for use at the directors' discretion in furtherance of the objectives of the Foundation.

Restricted funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose.

All other funds the Foundation received during the financial year ended 31 March 2016 are unrestricted.

3. Incoming resources

Incomes are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Incoming resources received in the NextFellow Fund except that from the Foundation in the UK, are recognised in RMB in the China column. Incoming resources received in the Foundation are recognised in GBP in the UK column. The accounts are managed and audited separated in the financial year, and the two results are consolidated for illustrative purpose.

4. Non-cash donations

Non-cash donations are recognised at its market value at the time of payment. The Foundation mainly received non-cash donation items from Shanghai Prusage Asset Management Co, Ltd (上海璞远资产管理有限公司), in the form of employee and management costs and office equipment. The arrangement was in place primarily because that the monies held in "NextFellow Fund" (under CYDF) cannot be used to pay office and personnel cost of the Foundation. Hence the donor offered to pay the costs on behalf of the Foundation in lieu of cash donations. The arrangement ceased to function from 1st April 2016 when CNF Shanghai is officially registered.

Table 1 Non -cash donations received by the Foundation in China

	Financial year ending 31 st March 2015	Financial year ending 31 st March 2016
	RMB	RMB
Personnel cost	20,833	148,227
Marketing cost	-	249,032
Administration cost (Rent)	-	42,000
NextFellow – Training and services	-	37,918
Office Equipment	-	40,900
Total	20,833	518,078

5. Expenditure on charitable activities

Charitable expenditure comprises those costs incurred by the Foundation in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Expenditures from the NextFellow Fund are recognised in RMB in the China column. Expenditure from the Foundation, except that to the NextFellow Fund are recognised in GBP in the UK column. The accounts are managed and audited separated in the financial year, and the two results are consolidated for illustrative purpose.

Table 2 Expenditure on charitable activities

	Year ending 31 March 2015			Year ending 31 March 2016		
	China	UK	Consolidated	China	UK	Consolidated
	RMB	£		RMB	£	
Living Stipend	39,000	-	3,949	129,000	-	13,881
<i>% of Charitable expenditure</i>	67.6%	-	39.8%	18.1%	-	18.1%
Training & services	18,699	-	1,894	311,976	-	33,569
<i>% of Charitable expenditure</i>	32.4%	-	19.1%	43.9%	-	43.9%
Marketing & Advocacy	-	4,079	4,079	270,195	-	29,074
<u>Total</u>	<u>57,699</u>	<u>4,079</u>	<u>9,922</u>	<u>711,170</u>		<u>76,523</u>
<i>% of Income</i>	45.1%	178.9%	65.2%	73.8%	-	71.9%

Living Stipend is a need-based allowance that enables our Fellows to concentrate on NGO work. It is usually tied to local living standards as a complement to Fellows' existing income. The focus of this stipends are: First, it aimed at fellows who lived in remote mountainous area without enough resources. Second, the industry of the fellow belonged to had rare attention by public and donors. The limited fund-raising situation and ability led to low and unstable salary. Third, the fund helped urgent financial needs, such as Ci Chen who got cancer in 2015. Last, it directed to senior director of organization who had low salaries in big cities, such as Bin Wang who located in the capital Beijing. The living stipend is to help those talents who willing to rooted in local and devote themselves entirely to do their jobs.

Training and services are budgets allocated to the NextFellows for institutional development: training, communication and improvement for themselves as leaders of their institutions. We organized four collective training camps and the NextFellows used the funds for dozens of different courses, ranging from management, accounting, marketing.... One of the Fellows, used the fund to finance a full-time MBA for NGO leaders.

Marketing and Advocacy is the part of the budget allocated for the NextFellows for their reach out efforts. We encourage the Fellows to interact with public, to create innovative "product" and "services" for the advocacy of their causes. The Fellows used the funds to have three joint fund raising events and numerous individual forums and events.

6. Management Costs

Management costs throughout the financial year including: admin costs including service costs paid to CYDF, office rentals, the costs of trustee meetings and the cost of any legal advice to trustees on governance or constitutional matters, costs of the preparation and examination of the statutory accounts, employee costs and subsistence costs paid to volunteers. These costs are necessary because much of the services and day to day support to the NextFellows are provided by the employee team, and a strong Foundation team is itself a charity to the Fellows we chose and supported.

Table 3 Expenditure from resources for the charity

	Year ending 31 March 2015			Year ending 31 March 2016		
	China RMB	UK £	Consolidated	China RMB	UK £	Consolidated
Resources for the Foundation	70,125	(1,799)	5,302	252,991	2,659	29,881
General Admin	5,386	684	1,229	73,121	1,049	8,917
% of Income	4.2%	30.0%	8.1%	7.6%	39.5%	8.4%
Personnel, Travel and Subsistence	28,333	-	2,869	153,478	-	16,515
% of Income	22.2%	-	18.8%	15.9%	-	15.5%
Marketing	-	2,764	2,764	-	1,000	1,000
% of Income	-	121.2%	18.2%	-	37.6%	0.9%

<u>Total Management Costs</u>	<u>33,719</u>	<u>3,448</u>	<u>6,863</u>	<u>226,599</u>	<u>2,049</u>	<u>26,432</u>
<u>% of Income</u>	<u>26.4%</u>	<u>151.2%</u>	<u>45.1%</u>	<u>23.5%</u>	<u>77.1%</u>	<u>24.8%</u>

7. Cash and account receivables

Account receivable reflects the difference between when a donation has been pledged and when it is received.

Cash available to the Foundation in the UK is deposited in the primary bank accounts of the Foundation, held within Santander Bank in the UK; while cash available to the Foundation in China is deposited in NextFellow Fund in the bank account of CYDF. NextFellow Fund pays the NextFellows and their actives according to instructions of the Foundation's team.

8. Fixed Assets

The fixed assets owned by the Foundation are in China and donated as non-cash donations on 22nd February 2016.. The value is recognised at cost. No depreciations have been charged.

Table 4 Fixed asset of the Foundation

No.	Asset	Brand and model	items	Value at donation
001	Computers	Dell Vostro 23	5.0	¥ 3,500
002	Server	Lenovo think centre E73S	1.0	¥ 2,650
003	Work tables		2.0	¥ 2,000
004	Office chairs	Hei bai diao	6.0	¥500
005	Projector	Longman	1.0	¥ 2,000
006	Meeting room chairs		10.0	¥100
007	Meeting room table		1.0	¥ 2,750
008	Printer	Brother MFC-9340CDW	1.0	¥ 5,300
009	Shredder		1.0	¥500
010	Small table		2.0	¥300
011	Small cabinet		2.0	¥300
012	Water machine	Midea MYR718s-x	1.0	¥200
013	Office refrigerator	SKG	1.0	¥800

9. Payables

Grants payable are payments made to third parties in the furtherance of the charitable objectives. Where the Foundation gives a grant with conditions for its payment being a specific level of service or output to

be provided, such grants are only recognised once the recipient of the grant has provided the specific service or output.

Grants payable without performance conditions are only recognised in the accounts when a commitment has been made and there are no conditions to be met relating to the grant which remain in the control of the Foundation.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

Liabilities are recognised as soon as there is a legal or constructive obligation committing the Foundation to the expenditure. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

10. Inter-Foundation transfer

In the financial year ended 31 March 2015, the Foundation transferred the total of £7,346 from its UK bank account to the NextFellow Fund, which received and recorded RMB72,542 (at exchange rate 9.875). While the transfer represented an “expenses” of the Foundation and a “donation” of NextFellow Fund, the amount was netted out when the accounts are consolidated.

11. Trustees' remuneration and expenses

No trustees received any remuneration during the year.

12. Taxation

The Foundation is a registered charity and is, therefore, exempt from taxation. The NextFellow Fund is held within China Youth Development Foundation, a public foundation, and is, therefore, exempt from taxation.

13. Members' liability

The Foundation is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £nil towards the assets of the Foundation in the event of liquidation.

14. Related parties

The Foundation is controlled by the trustees who are all directors of the company.

NextFellow Fund is controlled by a management committed consisted of members from the Foundation

and from CYDF, chaired by the Chairman of the Foundation.

CNF Shanghai is controlled by the trustees of the Foundation.

15. Analysis of funds

At 1 April 2016, the Foundation has the following funds. All funds are unrestricted.

	China RMB	GBP £	Consolidated £
Cash & Equivalents	108,688	5,016	16,711
Account Receivable	576	-	62
Fixed assets	40,900	-	4,401
<u>Total assets</u>	<u>150,164</u>	<u>5,016</u>	<u>21,174</u>
Account Payable	14,824	-	1,595
<u>Total liabilities</u>	<u>14,824</u>	<u>-</u>	<u>1,595</u>
<u>Net Asset Value</u>	<u>135,340</u>	<u>5,016</u>	<u>19,579</u>